NHCN The Home Center Mart

MORE CLASSIFIED ON PRECEDING PAGES

BUSINESS OPPORTUNITIES

DIAMOND INTERNATIONAL CORPORATION

Seeks to Buy Existing Lumber Yards

*Replies Held in Strict Confidence

CONTACT

Diamond International

Lumber & Building Materials

Mrs. Shirley Shrum
P.O. Box 15377
Sacramento,
California 95851

True Value
HARDWARE STORES
IN ALL 50 STATES

Become an affiliate of the nations number #1 Retail Hardware Organization. . . . Become a True Value Home Center Store owner and put these True Value Competitive Edges to work for you.

- Over 5,000 Members
- Lowest Cost Hardlines Distribution
- Total National Advertising
- Tru-Test Paint at Mfg. Cost
- Complete Store Planning Service
- Site & Market Appraisal
- Personal & Business Insurance Plans
- Retail Accounting
- Continuing Professional Assistance

Minimum investment $75,000 in personal funds
New or existing stores available in most areas

For Additional information, call or wire:

True Value Hardware Stores
Mr. Earl R. Primm
2740 N. Clybourn Ave.
Chicago, IL 60614
(312) 975-2723

COPELAND LUMBER
wishes to buy
LUMBER YARDS
in western states

Att: Diane Phillips
Real Estate Mgr.
Copeland Lumber Yards Inc.
901 N.E. Glisan
Portland, OR
97232

All Information Confidential

REPRESENTATIVES WANTED

Manufacturers Representative

Calling on hardware, lumber, home center and paint store trade. Expanding paint applicator manufacturer has openings in selected territories. Resume to:

Sales Manager
Prager Brush Co.
P.O. Box 93263
Atlanta, Georgia 30377

REPS WANTED

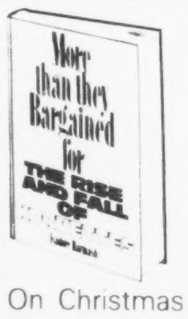
Call on lumber yards for manufacturer of best rated weatherstrip doorstop. Many areas available throughout country. Reply in confidence as to area covered and lines carried.

M. Stanise & Co.
Box 168, RD 2
Highland Mills, NY 10930

ADVERTISE!

Bi-Weekly Bulletin Of Lines Offered For Representation

Plus newsletter & many other group programs & services for reps and principals. Details:
Keith Kittrell, United Association Manufacturers' Reps, 808 Broadway, Dept. 64, Kansas City, MO 64105, (816) 842-8130.



THE ASTONISHING STORY BEHIND THE GREAT KORVETTES CHAIN

MORE THAN THEY BARGAINED FOR:
The Rise and Fall of Korvettes
by Isadore Barmash

On Christmas Eve 1980, the lights went out forever in the few remaining stores of the once proud, pioneering 58-store Korvettes chain.

What happened? Lots of answers have been given. But here for the first time are the behind-the-scenes facts—a gripping story of conglomerates, mergers, big capital, and foreign takeovers.

This book is must reading for every retailer and entrepreneur who know that to understand the reasons for the success—and also the failure—of a giant like Korvettes is to understand American enterprise itself.

Isadore Barmash is Assistant Financial Editor and retailing specialist for *The New York Times*.

LEBHAR-FRIEDMAN BOOKS
425 Park Avenue, New York, N.Y. 10022

Please send me ——— copy(ies) of MORE THAN THEY BARGAINED FOR (533) at $14.95.
Check enclosed for $——— Bill me ———

Name

Title and Company

Address

City State Zip

Orders under $50.00 add $1.50 per title handling charge. Postage paid on all prepaid orders. N.Y. and Calif. Residents add sales tax.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Action Industries	9/26-1st qtr.	$ 16,845	$ 15,035	12	$ – 413	$ 315	—
Amer. Maize Products	9/30-3rd qtr.	116,103	109,324	6	4,193	4,923	– 15
Cyclops	9/30-3rd qtr.	259,323	232,788	11	5,000	395	1,166
Edison Brothers	10/3-3rd qtr.	235,809	209,738	12	10,312	9,200	12
Erb Lumber	9/30-3rd qtr.	33,477	32,636	3	744	921	– 19
Evans Products	9/30-3rd qtr.	411,467	390,904	5	7,698	16,128	– 52
W. R. Grace	9/30-3rd qtr.	1,587,635	1,500,134	6	97,118	69,035	41
Hines Lumber	9/30-3rd qtr.	69,917	70,155	—	– 1,654	171	—
Scotty's	10/24-4 wks.	22,796	20,853	9	—	—	—
Southwest Forest Ind.	9/30-3rd qtr.	193,030	180,474	7	1,664	9,094	– 82
Union Camp	9/30-3rd qtr.	430,607	401,221	7	44,362	41,086	8
Wolohan Lumber	9/30-3rd qtr.	26,580	28,937	– 8	495	450	10

*$ in thousands

Evans' retail net rises 6% on 8% 3rd-qtr. sales hike

PORTLAND, Ore.—Increased consumer sales helped Evans Products retail group's revenues grow 8% and earnings move up 6% in the third quarter ended Sept. 30, compared to last year, company officials said.

Retail operating income for the quarter was $17,456,000 on sales of $218,498,000, despite lower sales to the building sector because of the housing slump.

Officials said the group's gross profit margins improved and operating expenses increased as a percentage of sales in the period.

The seasonality of the retail building materials business, accentuated by the retail group's record sales, was a factor leading to an increase in working capital requirements in the first nine months of the year to $39,293,000.

Overall, the company's net earnings fell 52% to $7,698,000 on a sales gain of 5% to $411,467,000 in the quarter, compared to the same period last year.

The company experienced a 30% decline in operating earnings on a year-to-year basis in the third quarter. As a result of high interest rates, however, unallocated interest expense more than doubled and resulted in a loss of $602,000 before taxes.

Wolohan's board cancels fourth-quarter dividend

SAGINAW, Mich.—Wolohan Lumber's board of directors has voted to cancel the fourth-quarter dividend, an act described by president David F. Wallace as "in the interest of shareowners over the long term to protect the company's capital position."

Wallace said that it was the intention of the company to resume dividend payments "as soon as we become convinced that future earnings will support the dividend on a continuing basis."

The 35-unit chain reported sales of $26,580,000 for the three-month period ended Sept. 30, 1981, down from $28,937,000 for the comparable quarter of 1980.

However, net income was up to $495,000 from $450,000 in third quarter 1980.

Wolohan's nine-month 1981 sales total $70,307,000, 5% below 1980's $73,667,000; net income was $630,000, 23% higher than last year's $512,000, and earnings per share were 11¢, 23% over 1980's 9¢.

"The operating results are disappointing to us," said Wallace, "since they provide less than a 4% return on shareholder's equity. There has been no improvement in the economic climate in the Midwest. Interest rates remain high; unemployment, severe."

Third-qtr. sales flat at Hines

CHICAGO—Third quarter 1981 sales for Edward Hines Lumber kept pace with 1980 figures, with sales of $69.9 million only $300,000 below last year's totals for the comparable period.

Nine-month sales were $205.3 million, $4.1 million above the total for the first three quarters of 1980.

According to company president Edward Hines, sales in the third quarter and the first nine months continued to be affected by "long-lasting depressed conditions in the housing industry."

The company's wholesale and retail operations (including 26 home centers) were described by Hines as operating "profitably" during the third quarter and nine-month periods, although he was "not satisfied" with the results.

Scotty's volume rises 9% in Oct.

WINTER HAVEN, Fla.—Scotty's, the 85-store home center chain, had a 9% increase in sales for the four-week period ended Oct. 24, compared with the corresponding period of 1980.

Sales for the latest four weeks were $22,795,662. The total for the 17 week period ended Oct. 24 was $92,704,493, a 14% increase over sales for the corresponding 17-week period ended Oct. 25, 1980.

Ray H. Cooney, Scotty's president and chief executive officer, stated that sales continue to be "relatively strong" on the DIY market while sales to the professional builder have been up "only slightly" from last year during the latest 17 weeks.

Scotty's has raised its regular quarterly dividend to 18¢ per share, an increase of 6% over the previous quarter. The dividend will be payable Feb. 15 to stockholders of record as of Jan. 15.

STOCK PRICES

Companies with predominant home center sales

	As of 11/4	As of 11/11
Lowe's (NYSE)	12¾	11¼
Payless Cashways (NYSE)[Furrow]	19¼	16⅛
Scotty's (NYSE)	19⅛	18¼

Over-the-counter stocks

	As of 11/11 Bid	Asked
Erb Lumber	11½	12½
Hechinger	15⅝	15⅞
The Home Depot	15½	16
Pay 'N Pak	14⅛	14⅜
Wolohan Lumber	3¼	3⅝

Companies with significant home center sales

	As of 11/4	As of 11/11
Action Industries (AMEX) [Action Home Centers]	2¾	2¾
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	11⅛	10⅛
Boise Cascade (NYSE)	34⅞	34¼
Cyclops (NYSE) [Busy Beaver]	27⅝	28
Diamond Int'l (NYSE)	29	34⅛
Edison Brothers (NYSE) [Handyman, Homer's]	26⅝	26½
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20¾	21½
Forest City (AMEX)	14	14¼
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45¾	44
Interco (NYSE) [Central Hardware]	48⅜	47⅞
Peavey (NYSE) [Fish, Peavey/Thunderbird]	23¾	23⅞
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	18⅞	17⅞
Supermarkets General (NYSE) [Rickel]	18¾	19⅝
Union Camp (NYSE) [Homecrafters]	47½	45
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	11½	11¼

Over-the-counter stocks

	As of 11/11 Bid	Asked
Dart Drug	11⅝	12
Hines Lumber	17¼	19
Pay 'n Save [Ernst, Von Tobel's]	20⅞	21⅞
Sunset Industries [Handy Andy]	1⅝	2⅝

Read NEW PRODUCTS

SPECIAL REPORT:
Metro Market Outlook . . . pp. 27

CONGRESSIONAL INFO INC
WASHINGTON DC 20014

National
Home Center News ®

Vol. 8, No. 1 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • January 4, 1982
$7 per year $2 per copy

Action puts home center division on the block

By John Caulfield
NHCN field editor

CHESWICK, Pa.—Action Industries has hung a "For Sale" sign on its 13 home center/17 hardware store retail division, but no chains seem interested in buying.

Discouraged by three years of unprofitability, Action "came to the conclusion that we were doing a very poor job in running the stores," said chairman Amos Comay. Indeed, the profit picture has dimmed at the four-state chain.

For the 1981 fiscal year ended June 27, the chain suffered an operating loss of $3,324,000 on sales of $19,524,000. This was on top of operating losses of $46,000 in 1980 and $240,000 in 1979. In the first quarter of 1982, ended last September, the company incurred "additional substantial losses" from its retail sector.

"We felt that our company would be better served by investing in ventures that would give us a better return on our money," said Comay. Action's retail division represents about 26% of the corporation's $76 million volume.

Currently, the company has closed two hardware stores, sold two (reportedly to employees) and has seven conducting "going out of business" sales. However, Comay indicated there was still a possibility the home centers could be sold as a group, although they are now being offered for sale individually.

Action's main home center competitors in the Pittsburgh market (where it has a good portion of its stores) are Busy Beaver and Grossman's, and officials from both have said they are aware of the availability of the stores, but aren't interested.

"We require an outside lumberyard, which none of Action's units has," said Everitt Grossman, vice president-real estate for the 193-unit Braintree, Mass.-based chain. "And for the most part, the stores are too small, aren't freestanding and overall, are in areas where we already have units." (All of Action's stores are leased buildings in shopping centers. The hardware stores are in the 4,770-10,000 sq. ft. range and the home centers 19,000-33,000 sq. ft.)

Poor store locations, and an inability to overcome its hardware image spelled doom for Action Industries' 30 hardware and home center stores, which are currently on the block. NHCN photo

Tom Herward, vp-marketing for the 33-unit Busy Beaver chain, felt the stores had a more serious problem.

"Almost every one of them is in a bad location, which I think is one of the reasons Action is having so much trouble. The chain is not positioned in places you have to be to be competitive in Pittsburgh."

Several regional sources have also noted that officials from

(Continued on page 58)

Late surge not expected

Slim gains brighten Yule sales

NATIONAL REPORT—Home centers were able to generate marginal sales gains during the first weeks of the Christmas season at a time when retailing in general was off throughout the country.

However, these gains did little to change the mostly pessimistic attitude of home center retailers, who were not expecting the same late surge in holiday business this year that made 1980's Christmas profitable (*NHCN*, Jan. 19, 1981).

"The day after Thanksgiving was like a new birth; we had phenomenal business," said Dick Griffin, vice president-sales for the 220-unit Lowe's chain, North Wilkesboro, N.C. "But it was an instant bubble that burst very soon. Although I expect customers to be buying later this year, I don't see a whole lot of sales from Christmas; the dollars just aren't there."

For the month of November, Lowe's retail sales were up 5% to $35.4 million, up 2% on an average store basis. However, its professional sales were off 28%, bringing the chain's total volume down 12% to $62.7 million.

Chains around the country like Lumberjack Stores, Sacramento, Calif.; Central Hardware, St. Louis; Scotty's, Winter Haven, Fla., and Stambaugh-Thompson, Youngstown, Ohio, also experienced sluggish early Yuletide business, although some home centers like the independent Somerville Lumber in the Boston area and Home Depot, Atlanta, were actually seeing gains in Christmas volume and store traffic.

These two exceptions do not belie the fact that home centers were in the same economic vise squeezing other retail businesses. The one difference was that home center operators, for the most part, did not engage in the frantic price slashing that general merchandise and discount chains tried early in the season to attract customers, al-

(Continued on page 58)

Christmas at home centers was not as strong as last year's season despite major promotions by chains.

NEWSBREAKS

PEAVEY CLOSINGS. Peavey, the diversified Minneapolis company that operates 52 building supply stores in the upper Midwest, will close 11 of its units in North and South Dakota and Minnesota by Feb. 1. The company's building supply sales and earnings were off during fiscal 1981 and the first quarter of fiscal 1982, which ended Oct. 31.

ANGELS TO ANCHOR HOME IMPROVEMENT MALL. A $15 million, 163,000-sq.-ft. home and garden shopping complex devoted exclusively to home improvements is set to open in Irvine, Calif., this fall. Angels, the 16-unit California DIY chain, and J. H. Bigger, a three-unit Orange County, Calif., furniture chain will anchor the mall with 36,000- and 20,000-sq.-ft. stores respectively.

Grogan gone as shake-up continues at Plywood Minn.

MINNEAPOLIS—The management of Plywood Minnesota continues to play a game of musical chairs.

Jim Grogan, who joined Plywood early in 1981 as vice president of operations and rose quickly to the company's presidency, has resigned after less than a year. A successor has not been named.

The 20-store company is now being run by ceo Bruce Thompson, a builder and personal friend of Plywood founder Sen. Rudy Boschwitz. Thompson has served on the firm's board of directors for the past 18 months.

Last September Plywood sold its 44 franchise units to 11 veterans amid complaints that management had not been responsive to the store operators (*NHCN*, Sept. 14).

Grogan's departure is the latest in a series of top management changes that have haunted the 20-store operation since Boschwitz left the helm to join the Senate three years ago.

In October Joseph Klein, vice president of merchandising left Plywood after only five months.

Both Grogan and Klein said they left Plywood voluntarily. Thompson and Boschwitz would not comment on the departures.

No major changes in Plywood's operation are expected, according to Thompson. The move away from expensive displays that have been introduced into some of the stores will continue.

"We want to again stress warehouse locations with more emphasis on low prices," Thompson said. "We'll probably make no product changes, although we may expand a few areas like vanities and total kitchens."

Grogan, who came to Plywood after running the $500 million Lonestar Industries home center group, insists the parting from his latest employer was amicable. He is now looking for work.

"I've got six or seven good years left in me. I don't care if someone hired me to be a district manager," Grogan said. "I've run a company. Let someone else do that."

When Grogan became Plywood president he replaced Glen Meyer, a 15-year company veteran, who also spent less than a year in the job.

Forecaster eyes 33% leap in '82 construction values

WASHINGTON—The value of new residential construction should grow by 33% to $82.8 billion, compared with $62.1 billion in 1981, according to the 1982 Dodge/Sweet's Construction Outlook.

"The strength of housing's response to an expected decline in interest rates from their lofty peaks is something of a guessing game," said George A. Christie, McGraw-Hill vice president and chief economist.

"But even a modest decline of mortgage rates should bring next year's housing starts within the range of 1.4 million to 1.5 million dwelling units," Christie told a recent conference of building executives in Washington.

Dodge 1982 construction estimates show housing starts for one-family dwellings increasing nationally by 28% to 809,000, compared with 725,000 in 1981.

Multifamily housing starts are expected to jump 12% from 425,000 last year to 519,000 in 1982.

The amount of money spent on single-family construction is expected to leap 41% to $57.7 billion in 1982. The same figure for multifamily housing is $21.5 billion, an increase of 22%.

Regionally, Dodge/Sweet predicts dramatic growth in total housing starts in an area where building is already relatively strong, the South, which will see a 49% increase from 435,000 to 650,000 units.

The lowest hike in total housing starts in 1982 is expected in the Midwest, which should see 210,000 units built, compared with 175,000 in 1981, an increase of 20%.

In the Northeast and West, 24% and 26% more total housing starts are anticipated, respectively. The Northeast should reach 205,000 units, up from 165,000. In the West, 1982 starts are projected as 335,000, up from 265,000.

"The combination of a sluggish economy through mid-1982 that will limit credit demands, and a partial accommodation of monetary policy to the Administration's budgetary squeeze, will allow a recovery of housing as interest rates recede," Christie said.

For an in-depth analysis of the housing and DIY activity in 10 major metro markets, see p. 27.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Somerville Lumber to open 2nd outlet

By Greg Puchalski
NHCN senior editor

WESTBOROUGH, Mass.—Somerville Lumber is joining the DIY chain ranks.

The $24 million Somerville, Mass., independent agreed late last month to purchase a 20,000-sq.-ft. Diamond International outlet here that had been closed down last year. The purchase price was not disclosed.

According to Somerville Lumber co-owner, Harold Cohen, the Westborough location is part of company plans to eventually open several stores within a 35-mile radius of Somerville, a suburb of Boston.

Somerville Lumber hopes to have its second store opened by late March after it builds an addition to the existing facility, doubling its size, Cohen noted.

The store will carry the same 36,000 sku's as the original outlet and will be staffed by "a nucleus of department heads" moved from Somerville, according to Cohen.

The new store will aim to do 85% of its business with consumers, as its parent does, Cohen said."We're far enough from Somerville so we won't be 'robbing Peter to give to Paul.' "

Diamond closed its Westborough unit last year after about six years in business because it failed to reach volume expectations of $5 million, explained Richard Cushman, Diamond's retail vice president. The unit's sales dipped to $2.5 million in 1980 from a high of $4 million.

"We're a lot more aggressive," Cohen said. "We have a name and reputation here."

Somerville's emphasis on DIY business as opposed to Diamond's predominantly contractor volume should also give the independent an edge.

Somerville Lumber plans to expand its operation to this Westborough, Mass., location by late March. Diamond International closed the unit last year due to insufficient business. NHCN photo

Lowe's is seeking smaller building sites

NEW YORK—Lowe's, the nation's third largest home center in DIY sales, is looking for smaller building sites, chairman Robert Strickland told a group of security analysts here last month.

The purchase of four- rather than six-acre parcels will allow the company to either spend less or buy more choice locations, Strickland said.

The firm, which this year exhausted its real estate holdings, is now focused on rebuilding its land bank, as well as continuing the conversion of existing stores to the consumer-oriented RSVP prototype.

Three new Lowe's ventures noted by Strickland include Sunday selling in all stores, selling through mail order catalogs and selling imported merchandise.

Progress on some projects, such as the RSVP conversions, has been slowed, however, because of the economy. Changing over a store is costly—$100,000 to $150,000 per unit, not counting administrative expenses and interest.

Strickland expects the next four months to be lean, with the picture perhaps brightening in the third quarter.

"We need the middle quarters to be good for a good year at Lowe's," he said.

The RSVP program, intended to build retail sales as a buffer against sluggish housing starts, seems to be having an effect.

In 1981, for the first time, retail sales made up more than 50% of Lowe's volume, Strickland said.

He noted the success of the RSVP format in 16 retrofitted stores where departments located in the four corners of the operation showed strong sales hikes, both retail and builder.

Retail volume in those units for kitchen/bath rose 16%; for home decor, 24%; millwork, 15%; home electronics, 35%.

Still, the RSVP look is being refined with endcaps altered to be more exciting and price-oriented.

Although Strickland emphasized the strength of Lowe's, with a 15% earnings growth per year predicted over the next five years, he did not rule out the possibility of a merger.

"As we look back at some of the deals we turned down, we've made mistakes," he said. As far as future merger opportunities: "It would be a dereliction of duty not to consider them strongly."

'As we look back at some of the deals we turned down, we've made mistakes.'
Robert Strickland, chairman, Lowe's

Opens warehouse outlet

Scotty's challenges Home Depot

HOLLYWOOD, Fla.—The Home Depot's warehouse approach to home center retailing is suddenly up against competition from Scotty's with the opening of a 15,000-sq.-ft. retail warehouse unit.

The new Thrifty outlet is still in the experimental stage, according to chain officials, who are reviving the concept even though a similar test unit failed two years ago in St. Petersburg, Fla.

The new outlet, however, features a cherry-picked selection of fast-moving merchandise and "no-frills" service to create lower prices, which Scotty's believes will help the revised format succeed.

Scotty's has more than doubled its offering to 2,000 sku's in Hollywood as compared to the St. Petersburg Thrifty, according to Dave Bryant, administrative assistant. All major categories in a conventional Scotty's outlet, which has about 9,000 sku's in 32,000 sq. ft., are represented in the Thrifty store.

The selection includes yellow pines and treated pine, shingles, sheetrock, insulation, hammers, saws, plumbing, wallpaper, floor tile and paint. The store also offers Scotty's full line of catalog goods, a service not provided in St. Petersburg.

In addition, unlike the St. Petersburg unit which had been a former grocery store, the Hollywood Thrifty was built from scratch, specifically geared for its purpose, Bryant indicated.

Better location

"The facility, with its high ceilings, lends itself to doing more," he said. "The location alone is better than what we had."

Scotty's likes the population density in the Hollywood area and the fact there is no other Scotty's nearby, according to Bryant.

"We experienced competition against ourselves in St. Petersburg," he explained. "Hollywood is a brand new market for us."

Although Scotty's has said it will tackle the Miami/Fort Lauderdale market in the future, Thrifty's units are not in the chain's plan of attack there and Bryant indicated this may be the last chance for Thrifty to prove itself.

"If this one is not successful," he said, "you won't see another. We'll work on this one and see if by cutting expenses and offering fewer services, people buy. There are no plans for more Thriftys at this time."

The chain is interested in determining if there is a need for a "no-frills" building materials operation similar to the "no-frills" supermarkets of recent years, Bryant said.

Newspaper ad spending up 16.6% for first 3 quarters

NEW YORK—Newspaper advertising for lumber and building material dealers, encompassing home centers, increased 16.6% during the first three quarters of 1981 to $170.4 million, according to the Newspaper Advertising Bureau.

Home center advertising falls under the building/hardware/farm equipment component of the housing and decoration category, the second-biggest gainer among all retail categories up 19.8% to $1.336 billion.

In the fourth quarter, Rickel, South Plainfield, N.J., was typical of home centers around the country. The chain ran full-color inserts promoting Holiday Savings in local and regional newspapers.

The 16-page Rickel tabloid included "over 300 gift ideas" with the theme "The useful gift ideas are all at Rickel." The ad was supported at all 31 stores with in-store tags urging customers to "Be a practical Santa."

An analysis of newspaper advertising across the country showed that the largest component of the housing and decoration category was furniture/furnishings and equipment, which had a 17.1% increase in advertising to $684.6 million.

General merchandise, the largest retail category, increased 11.4% to $2.526 billion, including department stores (up 14.1% to $1.444 billion) and variety stores (up 10.4% to $26.6 million).

Tire/auto-supply stores/service stations increased advertising 15.7% to $207.9 million.

Food and drug store advertising was up 15.3% to $788.8 million.

Burlington Northern cuts lumber shipment rates

ST. PAUL—Burlington Northern Railroad has cut shipment rates for lumber, plywood and particle board between 6% and 16% until the end of this month, on material bound for BN/Fort Worth & Denver destinations in Oklahoma and Texas.

Savings average about $540 per carload, according to the railroad. A price break of about $340 per carload is available until March 31 to shippers on British Columbia railway origins from Prince George, BC and south.

New rates for lumber, plywood, particle board, shakes and shingle shipments from Winnipeg, Manitoba, to BN/Colorado and Southern/Fort Worth & Denver destinations in Minnesota, North Dakota, South Dakota, Wisconsin, Iowa, Nebraska, Missouri and Illinois are expected to save $135 per carload, the railroad said.

INSIDE

SOMERVILLE LUMBER plans to open a second outlet, p. 2. . . . **EARLY BLIZZARDS** jolt regional sales of snowblowers, p. 3. . . . **AN EXCLUSIVE INTERVIEW** with Nancy Harvey Steorts, chairman of the Consumer Product Safety Commission, p. 4. . . . **A LOOK BACK** at the industry's toughest year, p. 11. . . . **METRO MARKET OUTLOOK** focuses on how the home center industry will fare in 10 top cities, pp. 27-41. . . . **A CHECKLIST** for control systems review, p. 42.

The Retail Management Course . . . p. 54

Ad Angles	46	New Stores	6
Calendar	6	People	6
Classified Ads	56, 57	Price Point Survey	46
Editorial	11	Security/ Shortage Control	42
Futures	53	Washington View	11
New Products	46		

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 1. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 1 January 4, 1982

METRO MARKET OUTLOOK

Atlanta, ranked fourth in single-family home starts in 1981, is one of 10 markets profiled in NHCN's examination of top home building and do-it-yourself markets.

Atlanta Chamber of Commerce

Home-building slump reshapes strategy for 80's

Repair/remodel market seen as retail life raft

NATIONAL REPORT—One year ago, housing prognosticators were looking ahead to 1981 as a year of recovery for the home building industry, predicting as few as 1.45 million, and as many as 1.65 million new homes would be constructed.

Instead, the industry plunged further into decline, struggling to build 1.075 million new homes (706,000 single-family), as financing costs for builders, and homeowners, went through the roof.

The home building recession, now entering its 38th month, has begun to rock the foundations of the United States economy as thousands of people, from millworkers in the West, to retail employees at contractor-dependent building supply chains such as Wickes Lumber, have lost their jobs.

Nonetheless, 16 out of the nation's top 25 home building markets for single-family dwellings showed an increase in building activity in 1981 over the previous year, providing many home center and building material retailers ample opportunity to grow with the market.

In the following special report, *National Home Center News* profiles 10 of the major single-family home building markets, from Houston, where more new homes were built in 1981 than in any other SMSA market, to San Diego, where rising home prices are presenting new difficulties to what has been a steady Sunbelt growth area.

Clearly, the impact of the housing recession is reshaping the future for suppliers of residential building and home improvement products.

In the past two years, the high cost of home financing has resulted in an estimated 2.7 million fewer housing transactions in the United States than should have occurred, based on the needs of the population to relocate for new jobs, and form new households.

While mortgage rates are showing solid signs of declining in some markets, the latest report from the Federal Home Loan Bank Board showed the average effective interest rate on a 25-year mortgage, had climbed from 17.77% in September to 18.17% in October. The rate this time last year was 15.38%, and stood at 13.86% in October of 1980, based on loans for 75% of the purchase price of a home, including fees.

The National Assn. of Home Builders now estimates that the number of housing transactions will fall behind the nation's needs at the rate of 100,000 units a month in 1982.

About three-quarters of those people stay in their existing homes, while many of the rest, particularly young people, are finding homes in converted basements or sections of single-family homes.

Indeed, the number of people who are taking advantage of dual-family accommodations in single-family homes has risen sharply in the past several years as the cost of a home has rapidly outpaced the rise in income.

Based on the number of homes known to have been built since the 1970 Census, there currently exists 83 million housing units in the United States. However, the 1980 Census has accounted for 86 million households.

The 3 million-unit discrepancy is unprecedented, according to Gopal Ahluwalia, director of statistics and surveys for the NAHB, and is indicative of a trend toward remodeling existing homes to accommodate additional independent households.

This trend bodes well for home center operators and building material retailers addressing the repair and remodeling market as the market takes on increasing significance in the total building material market.

"Last year, for the first time in history, more plywood was consumed in repairs and remodeling than in new single-family construction in the United States," observed Stanley S. Dennison, senior vice president of Georgia-Pacific Distribution Division. He added that 6.3 billion board feet of softwood lumber was also used in repairs and remodeling, approaching the 8.7 billion board feet consumed in new single-family home construction. Dennison is among a growing number of building material suppliers who believe the residential repair market will "outperform residential construction in the 1980's."

Still, the impact of the housing recession on the United States economy promises to bring about a major shakeout in the retail building supply industry.

While Houston has led the nation in single-family home starts for the past three years, the drop-off in construction compared to 1979 levels has squeezed two independent building material dealers out of business in the past year (see p. 32.)

Moreover, the nation's home building activity, at its lowest levels since World War II, is putting an increasing drag on the economy as a whole.

According to current predictions, the first quarter of 1982 is expected to show a decline in real Gross National Product of about 1.5%.

With fourth-quarter estimates showing a 3% deterioration in economic growth, housing economists at the NAHB now estimate the recession will last four consecutive quarters.

Unemployment, meanwhile rose from 7% in July to 8% in October and 8.4% in November. Construction unemployment has soared to 18%, and unemployment among western millworkers has topped 22%.

On the positive side, inflation rates have shown solid signs of coming down. This could be a double-edged sword for some retailers who were used to seeing volume increases resulting from inflated dollars. However, the reduction in the growth of operating costs may provide some real measure of relief this year.

Many economists warn, however, that a significant drop in interest rates could fuel inflation, as millions of households rush into the market, forcing up prices in the squeeze, and stemming chances for long-term recovery.

Index

Atlanta 34
Chicago 36
Denver 28
Houston 32
Miami 32
Minneapolis 36
Philadelphia 30
Phoenix 41
Sacramento 29
San Diego 29

Top 25 metro markets

Metro area	1981 Single-family starts (% change from previous year)	1981 Mortgage rate*	1980 Single-family starts (% change from previous year)	1980 Mortgage rate*	1979 Single-family starts (% change from previous year)	1979 Mortgage rate*
Houston	26,030 (18.7)	19.35%	21,930 (−21.6)	14.21%	27,980 (0.7)	11.66%
Dallas/Fort Worth	25,920 (21.5)	18.19	21,336 (−17.0)	14.00	25,699 (− 2.9)	10.68
Washington, D.C.	16,000 (11.4)	18.87	14,364 (− 6.3)	14.28	15,331 (−10.3)	11.71
Atlanta	15,940 (6.1)	19.14	15,017 (− 0.2)	14.00	15,049 (10.2)	11.56
Phoenix	15,000 (20.2)	19.41	12,483 (−41.8)	14.13	21,443 (−29.3)	NA
Denver	12,330 (15.3)	17.89	10,695 (−32.5)	14.13	15,853 (−17.7)	11.92
Riverside/San Bernardino	12,000 (1.4)	NA	11,834 (−39.5)	NA	19,552 (−19.0)	NA
W. Palm Beach/Boca Raton	10,628 (20.9)	NA	8,794 (−21.1)	NA	11,146 (−14.3)	NA
San Francisco/Oakland	10,000 (5.3)	19.16	9,500 (−21.5)	14.35	12,100 (4.3)	12.19
Tampa/St. Petersburg	8,920 (− 9.3)	18.26	9,830 (−20.6)	13.84	12,385 (3.3)	11.82
Minneapolis/St. Paul	8,700 (—)	15.63	8,700 (−32.6)	14.30	12,900 (−18.4)	11.26
Philadelphia	8,100 (− 8.0)	18.13	8,800 (−31.7)	14.13	15,100 (− 9.3)	11.14
Miami	8,094 (12.2)	17.95	7,214 (−37.4)	14.47	11,523 (27.2)	12.00
Anaheim/Santa Ana	8,000 (14.7)	18.06	6,974 (−22.1)	14.32	8,953 (−10.0)	12.18
Los Angeles	8,000 (− 3.8)	18.06	8,314 (−30.1)	14.32	11,893 (−12.3)	12.18
Chicago	7,675 (16.8)	18.24	6,571 (−54.3)	14.02	14,368 (−46.9)	11.28
Seattle	7,250 (8.9)	19.00	6,660 (−40.6)	14.30	11,210 (−21.6)	11.63
Austin	6,993 (17.4)	NA	5,956 (−17.7)	NA	7,241 (2.0)	NA
St. Louis	6,910 (14.8)	18.07	6,020 (−37.9)	13.79	9,690 (−18.1)	11.41
Sacramento	6,900 (− 1.4)	NA	7,000 (−48.0)	NA	13,450 (5.1)	NA
Baltimore	6,690 (− 1.2)	18.20	6,770 (−26.9)	14.02	9,260 (−13.9)	11.32
Orlando	6,370 (− 3.6)	NA	6,610 (−17.1)	NA	7,977 (9.0)	NA
Portland, Ore.	6,300 (− 7.3)	18.63	6,798 (−30.7)	14.41	9,812 (−25.5)	11.51
Detroit	5,650 (− 4.3)	18.16	5,905 (−55.6)	13.91	13,300 (−26.3)	11.92
Fort Lauderdale/Hollywood	5,307 (6.1)	17.95	5,001 (−35.8)	14.47	7,792 (−28.0)	12.00
U.S. TOTAL/AVERAGE	**706,000 (−17.1)**	**18.17**	**852,000 (−28.7)**	**13.86**	**1,195,000 (NA)**	**11.62**

*October rate for 25-year loan including contract rate, fees and charges, amortized over 10-year period, on financing of 75% of purchase price.

NA = not available

Source: Federal Home Loan Bank Board, National Association of Home Builders.